

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Thetford Township	County Genesee
Audit Date 3/31/05	Opinion Date 6/24/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

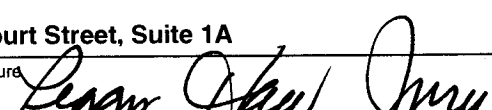
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Accountant Signature 		ZIP 48502	Date 9-28-2005

Annual Financial Report

**Thetford Township
Clio, Michigan**

March 31, 2005

with Independent Auditors' Report

Thetford Township, Michigan
Annual Financial Report
For the Fiscal Year Ended March 31, 2005

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**Thetford Township, Michigan
Annual Financial Report
For the Fiscal Year Ended March 31, 2005**

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Introductory Section

**Annual Financial Report
Thetford Township
March 31, 2005**

Township Board

Luther Hatchett
Shelly L. Ayotte
Myra J. Hobson
John A. Congdon
Cynthia R. Hicks
Eileen Kerr
David M. Phillips

Supervisor
Treasurer
Clerk
Trustee
Trustee
Trustee
Trustee

Independent Auditors' Report

The Honorable Members
of the Township Board
Thetford Township
Clio, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan (Township) as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thetford Township, Michigan at March 31, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 4 through 9, and 37 through 42 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thetford Township's basic financial statements. The introductory section and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

June 24, 2005

Management's Discussion and Analysis

Thetford Township Management's Discussion and Analysis

This section of the Thetford Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

Financial Highlights

- The Township's Total Net Assets are \$3.8 million. Unrestricted net assets were \$3.0 million.
- During the year, the Township's governmental expenses were \$224,806 more than the \$783,027 generated in taxes and other revenues for governmental programs.
- General fund expenditures exceeded revenues by \$222,724.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the water and sewer system that the government operates like a business.
 - * Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Thetford Township's
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Agency funds statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is the only business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has only one governmental fund, the General Fund.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Township has only one proprietary fund, the Water and Sewer Fund.

- In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- Fiduciary funds – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

Net assets

The Township's governmental activities net assets are \$1.9 million. The unrestricted governmental activities net assets are \$1.7 million. Business-type activities net assets are \$1.9 million with \$.5 million being invested in capital assets net of related debt.

Governmental Activities

The Township's General Fund revenues excluding other financing sources were \$1.2 million this year. Property taxes were \$184,540 or 15% of the total revenues. Federal grants, local grants, and State revenue sharing made up \$603,727 or 49% of the total revenue. Special assessments for garbage and light service were \$320,612 or 26% of the total revenue. The remaining 10% of General Fund revenues are comprised mostly of licenses and permits and interest revenue.

Business-Type Activities

Operating revenues of the Township's business-type activities increased \$19,140 from the prior year of \$165,433 to the current year total of \$184,573. Operating expenses decreased by \$1,177. Net changes from non-operating activities decreased from revenue of \$56,328 to a revenue of \$24,657, due mainly to decrease in interest income.

Thetford Township's Net Assets

	Government Activities	Business-type Activities	Total
Current and other assets	\$1,896,333	\$1,320,520	\$3,216,853
Capital assets	1,219,388	725,266	1,944,654
Total assets	\$3,115,721	\$2,045,786	\$5,161,507
Long-term liabilities outstanding	\$ -	\$ 143,549	\$ 143,549
Other liabilities	14,499	22,207	36,706
Total liabilities	\$ 14,499	\$ 165,756	\$ 180,255
Net assets:			
Invested in capital assets, net of related debt	\$1,219,388	\$ 581,717	\$1,801,105
Restricted	192,034	-	192,034
Unrestricted	1,689,800	1,298,313	2,988,113
Total net assets	\$3,101,222	\$1,880,030	\$4,981,252

Thetford Township's Changes in Net Assets

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 443,975	\$ 184,573	\$ 628,548
Operating grants and contributions	7,957	-	7,957
Capital grants and contributions	6,300	-	6,300
General revenues:			
Property taxes	137,797	-	137,797
Other taxes	589,470	-	589,470
Unrestricted earnings	55,760	38,279	94,039
Total revenues	<u>1,241,259</u>	<u>222,852</u>	<u>1,464,111</u>
Expenses:			
General government	576,934	-	576,934
Public safety	226,468	-	226,468
Public service	600,254	-	600,254
Health and welfare	44,343	-	44,343
Recreation and culture	18,066	-	18,066
Water and sewer	-	213,041	213,041
Total expenses	<u>1,466,065</u>	<u>213,041</u>	<u>1,679,106</u>
Increase (decrease) in net assets	(224,806)	9,811	(214,995)
Net assets - July 1, 2004	<u>2,106,640</u>	<u>1,870,219</u>	<u>3,976,859</u>
Net assets - June 30, 2005	<u>\$1,881,834</u>	<u>\$1,880,030</u>	<u>\$3,761,864</u>

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$1.7 million. This was a decrease of \$222,806 from the prior year.

Capital Assets

At the end of 2005, the Township had invested \$1,219,388 in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, GASB has allowed smaller units of government like Thetford Township to report infrastructure assets on a prospective basis after adopting the new reporting standard.

Thetford Township Capital Assets
(net of depreciation)

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$113,320	\$ -	\$113,320
Buildings	470,236	-	470,236
Building improvements	265,424	725,266	990,690
Furniture	2,639	-	2,639
Machinery, vehicles, and equipment	154,631	-	154,631
Infrastructure	213,138	-	213,138
Total	<u>\$1,219,388</u>	<u>\$725,266</u>	<u>\$1,944,654</u>

Long-term Debt

At the end of the current fiscal year, Thetford Township had total debt outstanding of \$173,175. Of this amount, \$173,175 comprises debt backed by the full faith and credit of the government.

Thetford Township's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Contracts payable	<u>\$ -0-</u>	<u>\$143,549</u>	<u>\$143,549</u>

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. Our legal debt limit is \$1.9 million. The Township's water and sewer is exempted from consideration in the 10% limit computation.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Thetford Township Clerk's Department.

Basic Financial Statements

Government-wide Financial Statements

**Thetford Township
Statement of Net Assets
March 31, 2005**

Primary Government

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 409,824	\$ 346,299	\$ 756,123
Investments	1,316,757	849,513	2,166,270
Receivables	69,423	117,907	187,330
Due from other governments	89,373	-	89,373
Internal balances	10,956	6,801	17,757
Capital assets - land	113,320	-	113,320
Capital assets (net of accumulated depreciation)	1,106,068	725,266	1,831,334
Total assets	3,115,721	2,045,786	5,161,507
Liabilities and Net Assets			
Liabilities:			
Accounts payable and other current liabilities	12,502	22,207	34,709
Due to other governments	1,997	-	1,997
Noncurrent liabilities:			
Due within one year	-	28,351	28,351
Due in more than one year	-	115,198	115,198
Total liabilities	14,499	165,756	180,255
Net assets:			
Invested in capital assets, net of related debt	1,219,388	581,717	1,801,105
Restricted for:			
Perpetual care:			
Expendable	33,874	-	33,874
Nonexpendable	158,160	-	158,160
Unrestricted	1,689,800	1,298,313	2,988,113
Total net assets	\$ 3,101,222	\$ 1,880,030	\$ 4,981,252

See notes to financial statements.

Thetford Township
Statement of Activities
For the Year Ended March 31, 2005

Functions\Programs	Program revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 610,084	\$ 105,784	\$ -	\$ -
Public safety	239,431	14,277	-	-
Public service	387,116	323,914	7,957	-
Health and welfare	44,342	-	-	-
Recreation and culture	24,387	-	-	6,300
Total governmental activities	1,305,360	443,975	7,957	6,300
Business-type activities				
Sewer and water	213,041	184,573	-	-
Total business-type activities	213,041	184,573	-	-
Total primary government	<u>\$ 1,518,401</u>	<u>\$ 628,548</u>	<u>\$ 7,957</u>	<u>\$ 6,300</u>
General revenues:				
Property taxes				
Sales tax				
Unrestricted earnings				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (504,300)	\$ -	\$ (504,300)
(225,154)	-	(225,154)
(55,245)	-	(55,245)
(44,342)	-	(44,342)
(18,087)	-	(18,087)
(847,128)	-	(847,128)
-	(28,468)	(28,468)
-	(28,468)	(28,468)
(847,128)	(28,468)	(875,596)
137,797	-	137,797
589,470	-	589,470
55,760	38,279	94,039
783,027	38,279	821,306
(64,101)	9,811	(54,290)
3,165,323	1,870,219	5,035,542
\$ 3,101,222	\$ 1,880,030	\$ 4,981,252

Fund Financial Statements

**Township of Thetford
Balance Sheet
Governmental Funds
March 31, 2005**

	General	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ 368,233	\$ 41,591	\$ 409,824
Investments	1,163,736	153,021	1,316,757
Receivables:			
Taxes	46,447	-	46,447
Accounts	8,158	-	8,158
Accrued interest	14,766	52	14,818
Due from other funds	15,868	200	16,068
Due from other governments	89,373	-	89,373
Total assets	\$ 1,706,581	\$ 194,864	\$ 1,901,445
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 7,727	\$ -	\$ 7,727
Deposits and advances	4,775	-	4,775
Due to other funds	200	4,912	5,112
Due to other governmental units	1,997	-	1,997
Total liabilities	14,699	4,912	19,611
Fund balances:			
Reserved for:			
Senior center	1,022	-	1,022
Perpetual Care	-	156,078	156,078
Unreserved, reported in:			
General fund	1,690,860	-	1,690,860
Perpetual Care permanent fund	-	33,874	33,874
Total fund balances	1,691,882	189,952	1,881,834
Total liabilities and fund balances	\$ 1,706,581	\$ 194,864	\$ 1,901,445

See notes to financial statements.

Thetford Township
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2005

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,881,834
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>1,219,388</u>
Net Assets - Governmental Activities	<u><u>\$ 3,101,222</u></u>

See notes to financial statements.

Township of Thetford
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended March 31, 2005

	General Fund	Other Governmental Funds	Total
Revenues:			
Taxes	\$ 184,540	\$ -	\$ 184,540
Special assessments	8,790	-	8,790
Licenses and permits	42,668	-	42,668
Intergovernmental:			
Federal	6,300	-	6,300
State	597,427	-	597,427
Charges for services	320,612	-	320,612
Interest and dividends	50,232	5,528	55,760
Rent	5,560	-	5,560
Sale of lots	-	6,950	6,950
Other	10,414	2,240	12,654
	<hr/>	<hr/>	<hr/>
Total revenues	1,226,543	14,718	1,241,261
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Legislative	103,050	-	103,050
General government	407,733	16,800	424,533
Public safety	226,469	-	226,469
Public works	600,254	-	600,254
Health and welfare	44,343	-	44,343
Recreation and culture	18,066	-	18,066
Insurance and bonds	49,352	-	49,352
	<hr/>	<hr/>	<hr/>
Total expenditures	1,449,267	16,800	1,466,067
	<hr/>	<hr/>	<hr/>
Deficiency of revenues over expenditures	(222,724)	(2,082)	(224,806)
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	1,914,606	192,034	2,106,640
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 1,691,882	\$ 189,952	\$ 1,881,834
	<hr/>	<hr/>	<hr/>

See notes to financial statements.

**Thetford Township
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2005**

Amounts reported for governmental activities in the statement of activities (pages 11-12)
are different because:

Net Change in fund balances - total governmental funds (page 15)	\$ (224,806)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

160,705

Total

<u>\$ (64,101)</u>

See notes to financial statements.

**Township of Thetford
Statement of Net Assets
Proprietary Fund
For the Year Ended March 31, 2005**

	Enterprise Fund Sewer and Water
Assets	
Cash and cash equivalents	\$ 346,299
Investments	849,513
Receivables:	
Accounts	25,542
Unbilled utility	30,405
Tap-in fees	195
Accrued interest	61,765
Due from other funds	111,620
Capital assets - net of accumulated depreciation	<u>725,266</u>
Total assets	<u>2,150,605</u>
Liabilities	
Current liabilities:	
Accounts payable	22,207
Due to other funds	104,819
Non current liabilities:	
Due within one year	28,351
Due within more than one year	<u>115,198</u>
Total liabilities	<u>270,575</u>
Net assets	
Invested in capital assets, net of related debt	581,717
Unrestricted	<u>1,298,313</u>
Total net assets	<u>\$ 1,880,030</u>

See notes to financial statements.

Township of Thetford
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Fund
For the Year Ended March 31, 2005

	<u>Enterprise Fund Sewer and Water</u>
Operating revenues:	
Charges for services	\$ 176,312
Interest and penalties	<u>8,251</u>
Total operating revenues	<u>184,563</u>
Operating expenses:	
Depreciation	57,091
Maintenance cost	14,762
Service fees	127,467
Agent fees	<u>89</u>
Total operating expenses	<u>199,409</u>
Operating income (loss)	<u>(14,846)</u>
Nonoperating revenues (expense):	
Tap-in fees	10
Interest and dividend income	38,279
Loss in investments	(1,761)
Interest expense	<u>(11,871)</u>
Total nonoperating revenues	<u>24,657</u>
Net income	9,811
Net assets-beginning of the year	<u>1,870,219</u>
Net assets-end of the year	<u><u>\$ 1,880,030</u></u>

See notes to financial statements.

**Township of Thetford
Statement of Cash Flows
Proprietary Fund
For the Year Ended March 31, 2005**

	Enterprise Fund Sewer and Water
Cash flow from operating activities:	
Cash received from customers	\$ 156,467
Cash payments to suppliers for goods/services	(122,799)
Net cash provided by operating activities	<u>33,668</u>
Cash flow from capital and related financing activities:	
Capital contributions	10
Principal paid on long term debt	(94,188)
Interest paid on long term debt	(2,912)
Net cash used in capital and related financing activities	<u>(97,090)</u>
Cash flow from investing activities:	
Change in investments	(17,604)
Interest on investments and tap-in fees	24,727
Net cash provided by investing activities	<u>7,123</u>
Net decrease in cash	(56,299)
Cash and cash equivalents - beginning of year	344,621
Cash and cash equivalents - end of year	<u><u>\$ 288,322</u></u>
Reconciliation of cash and cash equivalents combined balance sheet:	
Other fiduciary fund type's cash and cash equivalents	
Total cash and cash equivalents for fiduciary fund types	
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (14,846)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	57,091
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(6,558)
(Increase) decrease in due from other funds	(21,538)
Increase (decrease) in accounts payable	(2,020)
Increase (decrease) in due to other funds	21,539
Net cash provided by operating activities	<u><u>\$ 33,668</u></u>

Non-cash transactions:

The water bond issue is recorded at a discount. The discount is amortized over the life of the bond. The amount of discount recognized in 2005 related to the bond issue is \$8,960.

See notes to financial statements.

**Thetford Township
Statement of Net Assets
Fiduciary Funds
March 31, 2005**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 22,334
Due from other funds	<u>4,912</u>
Total assets	<u><u>\$ 27,246</u></u>
Liabilities:	
Deposits and advances	\$ 1,807
Accounts Payable	2,770
Due to other funds	<u>22,669</u>
Total liabilities	<u><u>\$ 27,246</u></u>

See notes to financial statements.

Notes to Basic Financial Statements

Thetford Township
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies

The accounting policies of the Thetford Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Thetford Township.

A. Reporting entity

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of Thetford Township, Michigan (the primary government) and its component units. Component units would be included in the Township's reporting entity because of the significance of their operational or functional relationships with the primary government. The Township had no component units at March 31, 2005.

The following organizations are not considered component units of Thetford Township and are excluded from the accompanying financial statements for the reasons stated.

Clio Area Library and Clio Area Fire Authority:

- Financed by other communities besides the Township of Thetford
- Serves several communities outside the Township
- Thetford Township has no obligation to fund deficits of the library or guarantee its debt; nor is it responsible for approving the library's operating budget.

The Clio Area Library and Clio Area Fire Authority have June 30 and March 31 year ends, respectively. Audited financial statements of both organizations for the years ended June 30, 2004 and March 31, 2005 are available for public inspection at Thetford Township.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Thetford Township
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

B. Government-wide and fund financial statements – (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. Separate funds are not maintained for the operations of the water distribution system and sewage pumping and collection systems that transmit the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Thetford Township
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

Cash deposits are carried at cost plus accrued interest and consist of checking accounts and short-term investments with original maturity of three months or less from the date of acquisition.

2. Investments:

Investments for the Township, are stated at fair value. Certificates of deposit with a maturity date of three months or greater at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

Thetford Township
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and a life of two years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-30
Vehicles	5-15
Equipment and furniture	3-10
Computer equipment	3
Roads	15

5. Accumulated unpaid sick pay

Full-time, permanent employees are granted five personal days each year. Any unused personal days may be accumulated for a maximum of 50 days over a 10-year period, at which time, if unused, will expire. Upon termination any unused personal days will be compensated.

Full-time employees are granted vacation benefits in varying amounts depending on tenure with the Township. Failure to take vacation time in one year does not entitle the employee to additional time off at any future date. On separation from employment for reasons other than cause or resignation without notice, an employee shall receive vacation pay for any accrued vacation.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**Thetford Township
Notes to Financial Statements
March 31, 2005**

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

6. Long-term obligations – (continued)

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Property taxes

Property taxes attach as an enforceable lien on property as of December 1. Taxes are also levied on December 1, and are payable without penalty through February 28. The Township bills and collects its own property taxes and also taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Agency Fund.

The Township is permitted by law to levy up to \$1.00 per \$1,000 (1 mill) of taxable value for general governmental services other than the payment of principal and interest on long-term debt. The tax rate to finance such general governmental services for the year ended March 31, 2005, was \$.9588 per \$1,000. The Township is permitted to levy unlimited amounts for payment of existing general long-term debt obligations. As of March 31, 2005, \$0- per \$1,000 of taxable valuation was being levied for long-term debt retirement. The Township also assess a garbage assessment of \$128 per household.

II. Reconciliation of government-wide and fund financial statements

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$228,362
Depreciation expense	<u>(67,658)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$160,705</u>

Thetford Township
Notes to Financial Statements
March 31, 2005

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.
2. A public hearing is conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted on a departmental (activity) through passage of a resolution and in accordance with Public Act 621 of 1978 of the State of Michigan.
4. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at year-end, except for certain federal grants which are appropriated on a contract (grant) length basis.
6. The original budget was amended during the year in compliance with the Township bylaws and applicable state laws.

B. Excess of expenditures over appropriations

The following funds incurred expenditures in excess of appropriations (at departmental levels) as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
Supervisor	\$ 55,541	\$ 55,749	\$ 208
Public Safety:			
Building inspector	-	17,958	17,958
Public Works:			
Drains-at-large	15,000	16,561	1,561
Recreation and Culture:			
Park pavilion	907	940	33
Insurance and bonds	42,000	49,352	7,352

IV. Detailed notes on all funds

A. Deposits and investments

The Township's cash and cash equivalents consist of checking and savings accounts and certificates of deposit. At year end, the carrying amount of the Township's deposits was \$2,464,823 excluding petty cash of \$500 and the bank balance was \$2,515,196. Of the bank balance, \$945,360 was covered by federal depository insurance; therefore, 37% was insured. The rest of the bank balance, or \$1,569,836, was not insured or collateralized. Certificates of deposit represent \$1,999,426 of the carrying amount, of which \$1,851,013 were issued for a period of 90 days or longer and are classified as investments.

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 409,824	\$ 346,299	\$ 22,334	\$ 778,457
Investments	1,316,757	849,513	-	2,166,270
Total	<u>\$1,726,581</u>	<u>\$1,195,812</u>	<u>\$ 22,334</u>	<u>\$2,944,727</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year end, the Township's categorized investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$313,566	\$313,566
Money markets	-	166,844	-	166,844
Total categorized	<u>\$ -0-</u>	<u>\$166,844</u>	<u>\$313,566</u>	<u>\$480,410</u>

Investments:

The Township has adopted an investment policy that permits investing in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions with offices in the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, Michigan Class Investment Pools, and mutual funds comprised of the above authorized investments. The Township Board has approved the following depositories for Township use: Raymond James, Prime Vest, Bank One, Standard Federal, Republic Bank, Citizens Bank, Montrose State Bank, National City Bank, and Independent Bank. The Township's investment policy conforms with State statutes.

The Township Board has adopted the above as its investment policy and additionally approved the following as authorized depositories: Republic Bank, Standard Federal, Citizens Bank, Bank One, Prudential, Raymond James, Prime Vest, Montrose State Bank, National City Bank, and Independent Bank.

The repurchase agreements are classified as cash equivalents in the general purpose financial statements.

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	Nonmajor Government <u>Funds</u>	<u>Total</u>
Receivables:			
Taxes	\$ 46,447	\$ -	\$ 46,447
Accounts	8,158	-	8,158
Interest	14,766	52	14,818
Gross receivables	69,371	52	69,423
Less: allowance for uncollectibles	-	-	-
Net total receivables	<u>\$ 69,371</u>	<u>\$ 52</u>	<u>\$ 69,423</u>

Business type activities:

	<u>Water and Sewer</u>
Receivables:	
Accounts	\$ 55,947
Interest	61,765
Special assessments	195
Gross receivables	117,907
Less: allowance for uncollectibles	-
Net total receivables	<u>\$117,907</u>

C. Capital assets

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 113,320	\$ -	\$ -	\$ 113,320
Total capital assets, not being depreciated	<u>113,320</u>	<u>-</u>	<u>-</u>	<u>113,320</u>

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities: – (continued)				
Capital assets, being depreciated:				
Buildings	714,280	-	-	714,280
Building improvements	338,410	-	-	338,410
Computers	14,986	-	-	14,986
Furniture	45,246	-	-	45,246
Machinery, vehicles, and equipment	325,045	-	-	325,045
Infrastructure	-	228,362	-	228,362
Total capital assets being depreciated	1,437,967	228,362	-	1,666,329
Less accumulated depreciation for:				
Buildings	221,132	22,912	-	244,044
Building improvements	60,531	12,455	-	72,986
Computers	14,986	-	-	14,986
Furniture	40,947	1,660	-	42,607
Machinery, vehicles, and equipment	155,007	15,407	-	170,414
Infrastructure	-	15,224	-	15,224
Total accumulated depreciation	492,603	67,658		560,261
Total capital assets, being depreciated, net	945,364	160,704	-	1,106,068
Governmental activities capital assets, net	<u>\$1,058,684</u>	<u>\$160,704</u>		<u>\$1,219,388</u>

Capital asset activity for the year ended March 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 2,283,611	\$ -	\$ -	\$ 2,283,611
Total capital assets, being depreciated	2,283,611	-	-	2,283,611
Less accumulated depreciation for:				
Improvements other than buildings	(1,501,254)	(57,091)	-	(1,558,345)
Total accumulated depreciation	(1,501,254)	(57,091)	-	(1,558,345)
Total capital assets, being depreciated, net	<u>\$ 782,357</u>	<u>\$ (57,091)</u>	<u>\$ -0-</u>	<u>\$ 725,266</u>

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 33,150
Public safety	12,963
Public service	15,224
Recreation and cultural	<u>6,321</u>

Total depreciation expense - governmental activities	<u>\$ 67,658</u>
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Business-type activities:

Sewer and water	<u>\$ 57,091</u>
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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax	\$ 10,138
	Trust and Agency	5,730
Sewer	Water	104,819
	Tax	6,801
Trust and Agency	Perpetual Care	4,912
	General	<u>200</u>
		<u>\$132,600</u>

E. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term liability activity for the year ended March 31, 2005 can be summarized as follows:

	<u>Contracts</u>
	<u>Payable</u>
Governmental activities:	
Debt at April 1, 2004	\$ 1,402
Principal payments made	(1,402)
Debt issued	<u>-</u>
Total governmental activities	
long-term debt	<u>\$ -0-</u>

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

The following is a summary of Business-Type long-term liability activity of the Township for the year ended March 31, 2005:

Business-type activities:

Long-term debt payable at April 1, 2004	\$209,386
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Principal payments made	<u>(36,211)</u>
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Total business-type Activities long-term debt at March 31, 2005	<u>173,175</u>
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Total long-term debt - all activities March 31, 2005	<u>\$173,175</u>
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A summary of long-term liability transactions for the year ended March 31, 2005, and the composition of the March 31, 2005, long-term debt balance follows:

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Balance at December 31, <u>2004</u>	Payments During <u>Year</u>	<u>Discount</u>	Balance at March 31, <u>2005</u>	Due Within <u>One Year</u>
Business activities:							
Contract payable							
Genesee County							
– sewer line	3/09	5%	\$ 58,788	\$ (14,697)	\$ -	\$ 44,091	\$ 14,697
Contract payable							
– water line	3/2011	8	<u>112,012</u>	<u>(21,514)</u>	<u>8,960</u>	<u>99,458</u>	<u>21,514</u>
Total business- type activities			<u>\$170,800</u>	<u>\$ (36,211)</u>	<u>\$ 8,960</u>	<u>\$143,549</u>	<u>\$ 36,211</u>

Contracts payable:

The Township has entered into contracts with the County of Genesee for the construction of sewer and water lines. Pursuant to these contracts, the County has sold bond issues for the construction of a sanitary sewage disposal system, a sewer trunk system, a sewer lateral system, and a water supply system. The full faith and credit of the Township has been pledged to the prompt payment of the principal and interest thereon, as it becomes due. As of March 31, 2005, all principal and interest payments due have been made. The Township does not maintain accounts or records pertaining to the issuance of bonds or the disposition of proceeds. The Township participates with a number of other municipalities in the construction and paying off of the debt on the countywide sanitary sewage disposal system. Only the Township's percentage of debt has been recorded in the Township's financial statements. The total principal outstanding on the sewer contract at March 31, 2005 is \$44,091.

Thetford Township
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

The water line contract is non-interest bearing. The face amount of the contract at March 31, 2005 is \$129,084. The discount has been calculated at 8%. Only the principal portion of the note has been shown as a liability.

<u>Year Ending</u> <u>March 31</u>	<u>Face</u>	<u>Discount</u>	<u>Principal</u>
2006	\$ 21,514	\$ 7,860	\$ 13,654
2007	21,514	6,660	14,854
2008	21,514	5,560	15,954
2009	21,514	4,460	17,054
2010-2011	43,028	5,086	37,942
	<u>\$129,084</u>	<u>\$ 29,626</u>	<u>\$ 99,458</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2005, Thetford Township has not incurred any indebtedness which would be limited under Act 359. The Township's existing sewer and water debts are specifically exempted from consideration in the 10% limit computation.

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real and qualified real property	\$171,490,061	\$131,185,000
Personal property	13,894,810	13,888,290
Total	<u>\$185,384,871</u>	<u>\$145,073,290</u>

F. Senior citizen fund balance reservation

Following the death of a Thetford Township resident, the Township received a contribution of \$1,000 to be used for senior citizens. This contribution is held in the General Fund and accrues interest. Both the interest earnings and principal are available to be expended. At March 31, 2005, the funds available for expenditure are \$1,022. This amount has been shown as reserved fund balance in the General Fund.

V. Other information

A. Retirement plans and other post-employment benefits

Retirement plans:

The Township has a defined contribution plan, which covers all full-time employees at least eighteen years of age. The plan is on a calendar year. An employee must contribute 2.5 percent of their compensation and may make an additional voluntary contribution of up to 10% of their annual compensation. Payroll costs of all employees and plan participants amounted to \$322,504 and \$359,159, respectively. During the current year, the General Fund contributed the Township's portion of the pension cost, amounting to \$21,013, which is 7%. Employees made required and voluntary contributions to the plan during the current year. The plan is administered by the Township Clerk. Investments are made through GLP Investment Services. It is the policy of the Township to pay the pension costs as accrued.

Thetford Township
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

A. Retirement plans and other post-employment benefits – (continued)

Post employment benefits other than pension:

The Township provides health benefits to certain employees after they retire or leave office. The ordinance provides that health, medical, and dental care benefits will be provided to eligible retirees if similar benefits are not available to the retiree. All employees and elected or appointed officials with a minimum of 10 years of service are eligible. The Township provides premium coverage based on a point system in which one point per year is given for number of years served plus years of age at retirement to determine benefit coverage. Full coverage is provided if 75 total points are attained and half coverage if at least 65 total points are attained.

B. Segment information for Enterprise Funds

The Township maintains an Enterprise Fund which provides water and sewer services. Segment information for the year ended March 31, 2005, is as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Fund</u>
Operating revenues	\$ -	\$ 184,563	\$ 184,563
Depreciation	10,500	46,591	57,091
Operating income (loss)	(10,500)	(4,346)	(14,846)
Non-operating revenues (expenses)	(8,985)	33,642	24,657
Net income (loss)	(19,485)	29,296	9,811
Plant, property, and equipment	346,490	378,776	725,266
Current assets	1,307	1,424,032	1,425,339
Current liabilities	104,819	22,207	127,026
Long term debt:			
Bond payable	129,084	44,091	173,175
Discount on bond	(29,626)	-	(29,626)
Net working capital	(103,512)	1,401,825	1,298,313
Total equity:			
Invested in capital assets	217,406	334,685	552,091
Unrestricted	(396,972)	1,401,990	1,005,018
Total assets	347,797	1,802,808	2,150,605

C. Joint venture

Clio Area Fire Authority:

In April 1976, the Thetford Township entered into a joint venture with the City of Clio and the Charter Township of Vienna to create the Clio Area Fire Authority (this agreement was amended March 1997). The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The amended agreement calls for each of the three municipalities to pay the Fire Authority. The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share shall be determined by unanimous consent of the members. The contribution made by Thetford Township during 2005 was \$139,901.

Thetford Township
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

C. Joint venture – (continued)

Clio Area Fire Authority: - (continued)

The following is a summary of selected financial information from the last available statement of the Clio Area Fire Authority:

	<u>Year Ended</u> <u>March 31, 2005</u>
Total assets	\$1,330,412
Total liabilities	36,305
Total fund equity	1,294,107
Total revenues	575,210
Total expenditures	436,333

Clio Area Library:

The Clio Area Library was formed by the City of Clio, Charter Township of Vienna, and Thetford Township effective March 20, 1978, replacing the library fund previously operated by the City of Clio.

The Library's operation is funded by contributions made by the participating units. Each unit's contribution is based on the usage rate of the library system by its residents. The contribution paid by Thetford Township during 2005 was \$6,908.

Should any participating municipality decide to withdraw from the Clio Area Library, it is to give written notice and, upon a favorable vote of the majority, will be released from the agreement.

The agreement does not state any fixed shares of interest to be owned by the municipalities. However, if a municipality should withdraw from the Authority, the distribution of equipment or cash equivalent to the withdrawing unit's share would be determined by unanimous consent of the members.

The following is selected financial information of the Clio Area Library from the latest audited financial statements:

	<u>Year Ended</u> <u>June 30, 2004</u>
Total assets	\$273,484
Total liabilities	-
Total fund equity	273,484
Total revenues	39,096
Total expenditures	37,985

Thetford Township
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

D. Building department revenues and expenses

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended March 31, 2005 is as follows:

Construction permit revenue	\$ 12,407
Expenditures:	
Professional services	<u>17,958</u>
Revenue over (under) expenditures	<u>\$ (5,551)</u>

E. Lease

The Township entered into an operating lease agreement with De Lage Landen in January 2005. The monthly payments are \$142.96 and the life of the lease is 48 months. The minimum yearly payments are listed below:

<u>Year</u>	
2006	\$ 1,716
2007	1,716
2008	1,716
2009	<u>1,287</u>
	<u>\$ 6,435</u>

F. Summary disclosure of contingent liabilities

Grants:

The Township participates in the Department of Housing and Urban Development Community Block Grant Program. These programs are subject to compliance audits by the granting agency. During the year ended March 31, 2005, the Township was not required to have a compliance audit performed in accordance with the Single Audit Act of 1984. The amount, if any, of expenditures which may be subsequently disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Water Line:

The Township Board passed a resolution for the North Loop Water Line which will commit the Township to long-term bond debt through Genesee County.

G. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for coverage of all claims except employee unemployment benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays unemployment claims on a reimbursement basis.

Required Supplementary Information

**Township of Thetford
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2005**

	Budget			Variance - Under (Over)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 200,400	\$ 200,400	\$ 184,540	\$ (15,860)
Special assessments	-	-	8,790	8,790
Licenses and permits	52,650	52,650	42,668	(9,982)
Intergovernmental:				
Federal	135,631	135,631	6,300	(129,331)
State	625,000	625,000	597,427	(27,573)
Charges for services	334,000	334,000	320,612	(13,388)
Interest and dividends	40,430	40,430	50,232	9,802
Rent	5,000	5,000	5,560	560
Other	12,115	12,115	10,414	(1,701)
Total revenues	<u>1,405,226</u>	<u>1,405,226</u>	<u>1,226,543</u>	<u>(178,683)</u>
Expenditures:				
Current:				
Legislative	130,732	130,732	103,050	27,682
General government	469,326	471,376	407,733	61,593
Public safety	248,263	248,263	226,469	21,794
Public works	417,120	400,470	600,254	(183,134)
Health and welfare	39,000	46,000	44,343	(5,343)
Recreation and culture	23,437	23,537	18,066	5,371
Insurance and bonds	42,000	49,500	49,352	(7,352)
Total expenditures	<u>1,369,878</u>	<u>1,369,878</u>	<u>1,449,267</u>	<u>(79,389)</u>
Excess (deficiency) of revenues over expenditures	35,348	35,348	(222,724)	(258,072)
Fund balance - beginning of year	<u>1,914,606</u>	<u>1,914,606</u>	<u>1,914,606</u>	-
Fund balance - end of year	<u>\$ 1,949,954</u>	<u>\$ 1,949,954</u>	<u>\$ 1,691,882</u>	<u>\$ (258,072)</u>

Township of Thetford
General Fund
Schedule of Expenditures Compared to Budget
For the Year Ended March 31, 2005

	Budgeted			Variance Under (Over)
	Original	Final	Actual	
Legislative:				
Township board	\$ 130,732	\$ 130,732	\$ 103,050	\$ 27,682
General government:				
Supervisor	55,541	57,391	55,749	(208)
Election	15,750	15,750	9,075	6,675
Assessor	35,817	35,817	26,346	9,471
Legal	15,000	15,000	12,470	2,530
Clerk	52,284	52,484	50,641	1,643
Board of review	2,925	2,925	2,095	830
Treasurer	62,300	62,300	55,642	6,658
Buildings and grounds	197,059	197,059	170,238	26,821
Cemetery	32,650	32,650	25,477	7,173
Total general government	469,326	471,376	407,733	61,593
Public safety:				
Narcotic task force	5,000	5,000	2,604	2,396
Police protection	55,579	55,579	50,737	4,842
Fire protection	140,000	140,000	139,904	96
Liquor law enforcement	34,754	12,754	8,255	26,499
Building inspector	-	22,000	17,958	(17,958)
Planning commission	6,200	6,200	2,936	3,264
Board of appeals	4,230	4,230	2,266	1,964
Disaster emergency	500	500	-	500
Traffic lights	2,000	2,000	1,809	191
Total public safety	248,263	248,263	226,469	21,794
Public works:				
Drains-at-large	15,000	15,000	16,561	(1,561)
Roads	391,020	374,370	276,166	114,854
Street lights	11,100	11,100	10,661	439
Garbage collection	-	-	296,866	(296,866)
Total public works	417,120	400,470	600,254	(183,134)
Health and welfare:				
Senior center	39,000	46,000	44,343	(5,343)
Recreation and culture:				
Park pavilion	907	1,007	940	(33)
Parks	2,520	2,520	1,060	1,460
Recreation hall	10,950	10,950	8,279	2,671
Library	9,060	9,060	7,787	1,273
Total recreation and culture	23,437	23,537	18,066	5,371
Insurance and bonds	42,000	49,500	49,352	(7,352)
Total expenditures	\$ 1,369,878	\$ 1,369,878	\$ 1,449,267	\$ (79,389)

Combining Fund Statements and Fund Descriptions

Thetford Township, Michigan
Non-Major Governmental Funds
Summary Descriptions
March 31, 2005

Permanent Funds

The permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – this fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

Agency Funds

The General Agency Fund is used to account for delinquent property taxes levied by other taxing units and other assets held by the Township as an agent for individuals, private organizations, other governments, and other funds.

The Tax Agency Fund is used to account for cash receipts and disbursements of current property taxes levied by other taxing units and other funds.

**Township of Thetford
Balance sheet
Nonmajor Governmental Funds
For the Year Ended March 31, 2005**

	<u>Permanent Fund Perpetual Care</u>
Assets	
Cash and cash equivalents	\$ 41,591
Investments	153,021
Accrued interest	52
Due from other funds	<u>200</u>
Total assets	<u><u>\$ 194,864</u></u>
 Liabilities and fund balances	
Liabilities:	
Due to other funds	<u>\$ 4,912</u>
Total liabilities	<u>4,912</u>
 Fund balances:	
Reserved for:	
Perpetual care	156,078
Unreserved, undesignated	<u>33,874</u>
Total fund balances	<u>189,952</u>
Total liabilities and fund balances	<u><u>\$ 194,864</u></u>

Township of Thetford
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	<u>Permanent Fund Perpetual Care</u>
Revenues:	
Interest and dividends	\$ 5,528
Sale of lots	6,950
Other	<u>2,240</u>
Total revenues	<u>14,718</u>
Expenditures:	
Current:	
General government	<u>16,800</u>
Total expenditures	<u>16,800</u>
Deficiency of revenues over expenditures	(2,082)
Fund balance - beginning of year	<u>192,034</u>
Fund balance - end of year	<u><u>\$ 189,952</u></u>

**Township of Thetford
Combining Balance Sheet
Fiduciary Funds
March 31, 2005**

	<u>Agency Funds</u>		<u>Total</u>
	<u>Trust and Agency</u>	<u>Tax Collections</u>	
Assets			
Cash and cash equivalents	\$ 2,775	\$ 19,559	\$ 22,334
Due from other funds	4,912	-	4,912
Total assets	<u>\$ 7,687</u>	<u>\$ 19,559</u>	<u>\$ 27,246</u>
Liabilities			
Liabilities:			
Deposits and advances	\$ 1,807	\$ -	\$ 1,807
Accounts Payable	150	2,620	2,770
Due to other funds	5,730	16,939	22,669
Total liabilities	<u>\$ 7,687</u>	<u>\$ 19,559</u>	<u>\$ 27,246</u>

Township of Thetford
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended March 31, 2005

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
<u>Trust and Agency</u>				
Assets				
Cash and cash equivalents	\$ 3,865	\$ 9,818	\$ 10,908	\$ 2,775
Due from other funds	4,912	-	-	4,912
Total assets	<u>\$ 8,777</u>	<u>\$ 9,818</u>	<u>\$ 10,908</u>	<u>\$ 7,687</u>

Liabilities				
Deposits and advances	\$ 2,967	\$ 7,433	\$ 8,593	\$ 1,807
Accounts payable	80	1,366	1,296	150
Due to other funds	5,730	-	-	5,730
Total liabilities	<u>\$ 8,777</u>	<u>\$ 8,799</u>	<u>\$ 9,889</u>	<u>\$ 7,687</u>

<u>Tax Collection</u>				
Assets				
Cash and cash equivalents	\$ 25,998	\$ 5,235,345	\$ 5,241,784	\$ 19,559
Taxes receivable	50,737	5,179,750	5,230,487	-
Total assets	<u>\$ 76,735</u>	<u>\$ 10,415,095</u>	<u>\$ 10,472,271</u>	<u>\$ 19,559</u>

Liabilities				
Due to other funds	\$ 65,170	\$ 431,561	\$ 479,792	\$ 16,939
Accounts payable	-	3,953,168	3,950,548	2,620
Due to other governmental units	11,565	6,030,366	6,041,931	-
Total liabilities	<u>\$ 76,735</u>	<u>\$ 10,415,095</u>	<u>\$ 10,472,271</u>	<u>\$ 19,559</u>

<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 29,863	\$ 5,245,163	\$ 5,252,692	\$ 22,334
Due from other funds	4,912	-	-	4,912
Taxes receivable	50,737	5,179,750	5,230,487	-
Total assets	<u>\$ 85,512</u>	<u>\$ 10,424,913</u>	<u>\$ 10,483,179</u>	<u>\$ 27,246</u>

Liabilities				
Deposits and advances	\$ 2,967	\$ 7,433	\$ 8,593	\$ 1,807
Due to other funds	70,900	431,561	479,792	22,669
Accounts payable	80	3,954,534	3,951,844	2,770
Due to other governmental units	11,565	6,030,366	6,041,931	-
Total liabilities	<u>\$ 85,512</u>	<u>\$ 10,423,894</u>	<u>\$ 10,482,160</u>	<u>\$ 27,246</u>

September 25, 2005

Members of the Township Board
Thetford Township
Genesee County, Michigan

We have audited the financial statements of Thetford Township (the Township) for the year ended March 31, 2005, and have issued our report thereon dated June 24, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As we stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Thetford Township are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted during the year ended March 31, 2005. We noted no transactions entered into by Thetford Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Thetford Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We posted the following adjustments: accrued payroll, state shared revenue receivables, reconciliation of due to/from between funds, and enterprise fund depreciation expense, that could, in our judgment, either individually or in the aggregate, have a significant effect on the Thetford Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Thetford Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

We became aware of certain matters, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal control and operational efficiency. We will review the status of these recommendations during next year's audit engagement.

Prior Year Comments and Status of Comment during 2005 Audit

Budget Adoption

The General Appropriations Act to adopt the annual budget needs to be expanded to include all items required per the Budget Act.

The general appropriations act must:

- state the total mills to be levied and the purpose for each millage levied (truth in budgeting act);
- include estimated revenues by source in each fund for the ensuing fiscal year.

In reading the fiscal year 2005 minutes, the general appropriations act still needs to be expanded to include all the items detailed above.

Due To/From Between Funds

We suggested the due to/from between funds be reviewed on a quarterly basis and be repaid between funds. During the current audit it was noted that review of the due to/from balances still needs to be done.

Bank Transactions

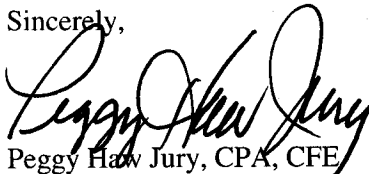
It was suggested that the treasurer's department prepare journal entries to record transactions that do not flow through the cash disbursement or cash receipts system such as transfers or reinvestment of certificate of deposits. The transfer activity between accounts was not being given to the clerk's department to be recorded in the general ledger, which caused variances between the general ledger and the bank reconciliations. During our current audit, we noted improvement in this area.

Computer System Back-up

We continue to suggest that the computer system be backed up on a regularly scheduled basis; be stored at an off-site location; and be verified to be sure that it is properly storing the required information.

We appreciate the opportunity to present this letter for your analysis and review. This letter is intended solely for internal management and should not be used for any other purpose. We would also like to express our appreciation for the cooperation extended to our staff by the Township's personnel during the course of the audit. If you have any questions regarding the contents of this letter, please contact us.

Sincerely,



Peggy Haw Jury, CPA, CFE
Principal

Flint Office